

Memo

To: Joint Labor Committee
From: Kurt Westby, Connecticut District Leader, SEIU Local 32BJ
Date: 3/3/2009
Re: Fiscal Analysis for Raised Bill 6502: The Connecticut Standard Wage

Below and attached is a summary of the projected costs and savings associated with Raised Bill 6502, as well as the assumptions upon which these numbers are based. We projected out two different scenarios:

1. The proposed language in comparison to a no-action scenario whereby the state takes no action, and state contracted cleaners lose their family health coverage and pension; and
 2. The proposed language in comparison to our original proposal to change the CT Benefits rate in the Standard Wage bill to 40%, without changing wages.
1. Costs/savings of Raised Bill 6502 compared with a **30% CT Benefits Rate**: (See attached chart for more detail)
- o 2009: \$251,704 Cost
 - o 2010: \$45,473 Cost
 - o 2011: \$4,734 Cost
 - o 2012: **\$105,077 SAVINGS**
 - o 2013: **\$219,529 SAVINGS**
 - o 2014: **\$340,880 SAVINGS**
 - o 2015: **\$468,339 SAVINGS**

This represents a total savings of \$22,695 over 5 years with our proposal. Over the course of 7 years (through 2015), this represents a savings of \$831,914.

2. When compared to a **40% CT Benefits Rate**, Raised Bill 6502 has the following savings:
- o 2009: \$1,572,926
 - o 2010: \$1,843,019
 - o 2011: \$1,949,855
 - o 2012: \$2,128,077
 - o 2013: \$2,313,334
 - o 2014: \$2,507,968
 - o 2015: \$2,711,275

In this scenario, is a \$9.8 million savings over 5 years and a \$15 million savings over 7 years through 2015.

These figures are based on the following statistical assumptions:

There is a collective bargaining agreement in effect for the comparable County of Hartford cleaners through the year 2011. After this Contract Period ends, starting 2012 our assumptions are as follows:

- **32BJ Health Costs increase by 5.6% each year starting in 2012** when the master contract ends. This is the average of both the suburban and city health increases for 2010 and 2011.
- 3.5% wage increases for Prevailing Wage and starting 2012 a 3.5% wage increase for New-Hires making the 32BJ Light-Cleaner rate.

The following are the remaining assumptions that are made throughout the entire period:

- CT State Health Costs increase by approximately 3.9% each year.
(This is a combination of a 3.5% increase in benefits and an assumed 8% increase in HUSKY cost for Children.)
- Assuming HUSKY Cost for CT Benefits occurs for only half of 2009.
- There are 321 children receiving HUSKY at a cost of \$2,679 per child in 2008 - increasing by 8% each year. The State of CT pays only half the total HUSKY cost, while the rest is paid by the federal government.
- 32BJ Proposal Health Costs use the Suburban Rate for all buildings except for 6 sites which receive City Health Rates.
- 5% Turnover per year.
- New-Hires receive Light Cleaner Wage Rates after they have worked for 1 year. As per our contract, prior to working for 1 year, New-Hires are paid as follows:
 - Start at \$1 less prior to working 6 months – We are assuming 50% of New Hires that start each year. (i.e.: 50% of the 5% who are starting New-Hires)
 - Working between 6 and 9 months receive \$.50 less per hour – assuming 25% of New Hires that start each year.
 - Working between 9 and 12 months receive \$.25 less per hour – assuming 25% of New Hires that start each year.
- Seniority is based on the date each member first started working at the site according to IUAS. One thing to note is that it looks like some of the buildings may not have accurate start dates where for example each person would have the same start date listed. There are other seniority lists we have available, such as when the Employee first joined the union, but again this source has a similar problem of inaccurate dates, just at different buildings.